GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5448
ANSWERED ON:22.12.2000
FUNDING OF POWER PROJECTS BY BANKS AND FIS
CHANDRA PRATAP SINGH

Will the Minister of FINANCE be pleased to state:

(a) Whether the attention of the Government has been drawn to the news-item captioned `what powers Lanco Kondapalli Power Project` appearing in the Statesman, dated the November,24, 2000 highlighting the gross irregularities on the part of Public Sector Financial Institutions and Banks in funding Lanco`s Kondapalli Power Project Andhra Pradesh on the basis of Rs.700 crore Corporate Guarantee provided by a Company of Group having net worth of Rs.42 crore and other serious irregularities; and;

(b) if so, the corrective measures taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALA SAHEB VIKHE PATIL)

(a) & (b): Yes, Sir. IDBI has informed that the Project has been financed by the Financial Institutions (FIs), Banks and by foreign investors. The loans extended by the FIs and Banks have been secured by way of various securities including corporate guarantees. These corporate guarantees are by way of additional collateral securities and not the only security available with FIs/Banks as alleged in the news-item. The project has been completed as per schedule. According to the lead financial institutions no irregularities have been observed in respect of compliance of the conditions stipulated by these lenders.

However, in accordance with the practices and usages customary amongst banks and in conformity with the provisions of statutes governing public sector banks and financial institutions as also the provisions of public Financial Institutions (obligation as to Fidelity and Secrecy) Act, 1983, further details relating to individual constituents cannot be divulged.